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INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6608
RUEHLM/AMEMBASSY COLOMBO PRIORITY 6915
RUEHKA/AMEMBASSY DHAKA PRIORITY 2214
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 4955
RUEHLO/AMEMBASSY LONDON PRIORITY 6169
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2580
RUEHSA/AMEMBASSY PRETORIA PRIORITY 0190
RUEHCI/AMCONSUL KOLKATA PRIORITY 4288
RUEHGV/USMISSION GENEVA PRIORITY 2137
RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 3284
RHEFDIA/DIA WASHDC PRIORITY
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RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 000895

SIPDIS

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SUBJECT: NEPAL: LITTLE PROGRESS IN NEGOTIATIONS TO FORM
GOVERNMENT

REF: KATHMANDU 861

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d).

Summary

1. (C) Maoist-led negotiations to form a new government have been unable to overcome the daunting set of problems - a complete lack of trust among the parties, splits within each of the major parties, and personality conflicts. Competing negotiations by Prime Minister Koirala to form a 'democratic front' government excluding the Maoists have not found much support from other parties yet, and are not supported by most of his party's central committee. At close of business a new round of negotiations was underway, but unlikely to be concluded by President Yadav's deadline of the evening of August 8.

Inauspicious Conditions for Government Formation

2. (SBU) To date Maoist-led negotiations to form a new government, which got underway in earnest July 30 (reftel), have been unable to overcome the daunting set of problems - a complete lack of trust among the parties, splits within each of the major parties, and personality conflicts, which have plagued the negotiations. The Maoists presentation of three preconditions (an end to the Nepali Congress (NC)-Communist Party of Nepal-United Marxist Leninist (UML)-Madhesi People's Rights Forum (MPRF) alliance, acceptance of the Maoist program as the basis for the common minimum program (CMP), and agreement the government would not be brought down for the two-year term of the Constituent Assembly) were explicitly rejected by other parties. Rather than reaching out by including some points from other parties or emphasizing areas of agreement, the Maoists' draft common minimum program did draw almost exclusively from their program. Discussions on the distribution of ministries across parties also faced difficulties with the Maoists' claim to all major portfolios (Prime Minister, Defense, Home, Finance) contested by both NC and UML.

Nepali Congress Conducting Competing Negotiations

13. (C) Since returning from the SAARC Summit on the evening of August 4, caretaker Prime Minister Koirala has demonstrated more initiative and activity than he has in quite a while by holding a series of meetings seeking support to form a 'democratic front' government excluding the Maoists. While a few leaders went to the Prime Minister's residence to hear this appeal, Koirala exhibited an unusual willingness to meet other leaders at their residences. Despite the lack of enthusiasm for Maoist leaders and policies, Koirala has been unable to find much support -so far- for his maintaining the Prime Ministership in a new NC-led government.

But Not All are Behind Prime Minister

14. (C) Koirala's willingness to exclude the Maoists from government demonstrates a worrying focus on his personal power and a lack of concern for the peace process. On August 7 NC Central Committee member and party spokesman Arjun Narsingh KC told Poloff that the overwhelming majority of the NC Central Committee favored letting the Maoists lead the new government, either because they recognized the need for Maoist support in drafting the constitution and continuing the peace process, or because they thought the Maoists would then be exposed as failures and autocrats. KC did not support Koirala's attempt to lead the new government and thought "it would have been one more in a long line of mistakes made by the party in the last two years."

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Way Forward Unclear

15. (C) The four-party meeting (Maoist, NC, UML, Forum) scheduled for 10 a.m. local time August 8 was delayed due to NC conducting internal discussions until early afternoon. Even if at this meeting NC were to announce a willingness to support a Maoist-led government of consensus, it would be very difficult for the parties to agree on a package deal of confidence-building measures, power sharing, and common minimum program by the President's self-imposed deadline of the evening of August 8. While some Maoist leaders have indicated the party should attempt to lead a majority-minority government if a broader government of national consensus cannot be formed, others support Maoists leading the opposition. The UML has been resisting joining a Maoist-led government without the NC, but might be convinced if the NC is seen as too intransigent. Madhesi Forum leaders have been doing little to prepare their supporters for possible support for a consensus government with three parties that have all rejected the Forum's key demand of 'One Madhes, One Province'.

Comment

16. (C) As the second deadline set by President Yadav is about to expire, the political parties have made little headway in forming a government of national consensus. Internal divisions within the Maoists and NC are complicating negotiations, but the UML also has one faction more open to working with the Maoists and one more committed to the alliance with NC. Whether the Maoists will maintain their claim on all major cabinet positions as their rightful spoils as the largest party, or are willing to let other parties fill one or more of these posts is unclear. There is no legal reason why the president could not extend the deadline again. A less likely alternative would be for President Yadav to call upon the Maoists to form a majority-minority government, or for him to call on NC to take the lead in negotiations to form a government.
POWELL